

Message Text

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ACTION AID-05

INFO OCT-01 EUR-12 ISO-00 SAM-01 SSO-00 IGA-01 EB-07 SP-02

CIAE-00 INR-07 NSAE-00 OMB-01 TRSE-00 H-01 HUD-01

INRE-00 OES-03 L-02 AF-06 /050 W

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O 101716Z FEB 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 1695

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 790

E.O. 11652: GDS

TAGS: EAID, PO

SUBJ: A.I.D. PACKAGE, NEXT STEPS

REF: (A) STATE 29160; (B) LISBON 561; (C) LISBON 688

1. BELIEVE IT IMPORTANT IN CONTEXT REFTELS TO EMPHASIZE AGAIN THAT PORTUGAL IS IN THROES OF RAPID INSTITUTIONAL CHANGE, WITH BASIC POLITICAL RULES OF GAME STILL UNDEFINED. SUCH FUNDAMENTAL QUESTIONS AS ROLE OF MILITARY IN POLITICS OCCUPY HIGH LEVEL ATTENTION OF MILITARY AND CIVILIAN POLICYMAKERS. WITHIN THIS FRAMEWORK A SMALL NUMBER OF INDIVIDUALS IS ATTEMPTING TO PREPARE AND PRESENT AN INTERIM ECONOMIC AND SOCIAL DEVELOPMENT PLAN. WE CURRENTLY UNDERSTAND THAT THIS PLAN WILL PRESENT ONLY BROAD OUTLINES OF PROVISIONAL GOVERNMENT'S GOALS WITH FEW, IF ANY, SPECIFIC PROJECT. CAN APPRECIATE CONGRESSIONAL DESIRE FOR SPECIFICITY BUT THERE ARE FEW PROJECTS ON GOP DRAWING BOARDS AND GOVERNMENT IS TOO PREOCCUPIED WITH OTHER ISSUES TO FOCUS ON HARD PRIORITIES WITHIN OUR TIME FRAME. WITH PATIENCE AND PERESERVERANCE, HOWEVER, I AM SURE WE CAN GET THEM TO DO SO.

2. IN TERMS OF OVERALL US POLICY I CONSIDER IT EXTREMELY IMPORTANT THAT WE MOVE AHEAD RAPIDLY WITH AID PROGRAM DESPITE INHIBITIONS DESCRIBED ABOVE. POLITICAL IMPACT WILL BE HIGHLY SIGNIFICANT IF WE CAN:

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(A) GIVE IMMEDIATE FIRM PUBLIC EVIDENCE OF U.S. INTEREST IN, AND SUPPORT OF, CERTAIN OF THE ECONOMIC AND SOCIAL OBJECTIVES WHICH WE EXPECT THE GOP TO RELEASE THIS WEEK;

(B) PROVIDE PRACTICAL ASSISTANCE IN THE IDENTIFICATION AND ELABORATION OF PROJECTS FOR DOMESTIC, BILATERAL, AND MULTILATERAL FINANCING.

3. FY 1975 FAA PHASE I DOLS 10 MILLION; AS A FIRST STEP IN THIS DIRECTION, I REQUEST APPROVAL BY FEBRUARY 14 OF THE DOLS 10 MILLION AID PACKAGE AS SUBMITTED REF (B). THE SITUATION HERE DOES NOT PERMIT ELABORATION OF THE SUB-PROJECTS FOR THE PROPOSED DOLS 8.5 MILLION MULTI-PURPOSE LOAN WITHIN THE AUTHORIZATION TIME FRAME. I WOULD BE WILLING TO AGREE TO A REASONABLY TIGHT, SAY DECEMBER 31, 1975, SUB-OBLIGATION DEADLINE, BUT WE ARE IN URGENT NEED OF A FLEXIBLE MECHANISM TO HELP ENCOURAGE DEVELOPMENT ACTIVITIES AND TO PRODUCE VISIBLE EVIDENCE OF OUR INTEREST. STATUS REPORT ON SUB-PROJECT REQUESTS DOLS 8.5 MILLION SUBJECT SEPARATE MESSAGE.

THE DOLS 500,000 CONSULTING SERVICES GRANT AND THE DOLS 1 MILLION FEASIBILITY STUDIES LOAN WILL CONTRIBUTE TO THE FIRST STAGE OF OUR PROPOSED FY 1975 PROGRAM IN THAT BOTH PROJECTS WILL BE OF ASSISTANCE TO THE GOP IN EMBARKING UPON A LONGER TERM DEVELOPMENT PROGRAM.

4. FY 1975 HIG DOLS 20 MILLION: RECOGNIZING THAT THE GOP STILL MUST FORMALLY REQUEST THIS PROGRAM, I RECOMMEND EARLY APPROVAL OF THE HOUSING GUARANTY OUTLINED REF (C) IN VIEW OF OUR NUMEROUS PUBLIC PRONOUNCEMENTS THAT WE WERE PREPARED TO APPROVE SUCH A REQUEST. FURTHER RECOMMENDATIONS RE HOUSING IN PARAGRAPH 5. END CONFIDENTIAL.

5. BEGIN UNCLASSIFIED. FY 1975 FAA PHASE II DOLS 15 MILLION (DOLS 10.5 MILLION LOAN, DOLS 4.5 MILLION GRANT). WE BELIEVE THAT THE FOLLOWING PROJECTS COULD BE DEVELOPED TO MEET AID CRITERIA BY JUNE 30, 1975:

A. GRANTS, DOLS 4.5 MILLION

(1) LOW COST HOUSING: DOLS 3.75 MILLION TO FINANCE 50 PER CENT
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OF THE COST OF A 1000 UNIT LOW-COST HOUSING PROJECT IN THE LISBON AREA AT AN AVERAGE UNIT COST OF DOLS 7,000. DOLS 250,000 WOULD COVER RELATED U.S. TECHNICAL ASSISTANCE. THE REVENUES FROM THIS PROJECT COULD BE USED TO FINANCE ADDITIONAL LOW-COST HOUSING PROJECTS AND/OR TO UNDERWRITE HOUSING RESEARCH ACTIVITIES OF THE MINISTRY OF PUBLIC WORKS. THE DESIRABILITY OF A HIG-FAA FUNDING MIX WAS DISCUSSED DURING KIMM VISIT (REF (C)). THIS APPROACH WILL SOFTEN OVERALL USG HOUSING INTEREST TERMS DUE

MAKING HIG MORE ATTRACTIVE TO GOP AND WILL PERMIT RAPID RESPONSE
TO MOST CRITICAL PROBLEM AREA IDENTIFIED BY HOUSING TEAM.

(2) ADMINISTRATION TECHNICAL ASSISTANCE: USDOLS450,000 TO
FINANCE THE FIRST YEAR OF A TEAM OF EXPERTS FROM U.S. INSTITU-
TIONS SUCH AS HARVARD AND M.I.T. TO ASSIST IN THE ESTABLISHMENT
OF A FACULTY OR INSTITUTE OF PUBLIC AND BUSINESS ADMINISTRATION
(MANAGEMENT) AND ECONOMICS AT THE NEW UNIVERSITY OF LISBON.

WE WOULD APPRECIATE AID/W INFORMALLY CONTACTING THESE OR
OTHER INSTITUTIONS TO DETERMINE INTEREST IN (A) CONDUCTING
SURVEY OF REQUIREMENTS IN MARCH-APRIL 1975 LEADING TO (B)
MULTI-YEAR TECHNICAL ASSISTANCE CONTRACT TO PROVIDE ADMINI-
STRATIVE PLANNING GUIDANCE, LONG AND SHORT TERM VISITING
PROFESSORS, OBSERVATION AND ACADEMIC AND TRAINING, TEXTS
TEACHING AND VISUAL AID MATERIALS. TARGET ETA VISITING PRO-
FESSORS OCTOBER 1975. RECTOR OF UNIVERSITY, DR. FRAUSTO DA
SILVA, WAS LEADER GRANTEE APRIL 7-30, 1974, AUTHORIZATION
NUMBER 1069-420205A, MARCH 20, 1974. THEREFORE, IT
MAY BE USEFUL REVIEW HIS PROGRAM FOR U.S. CONTACTS. WE ALSO
EXPLORING FINANCING CONSTRUCTION AT UNIVERSITY FROM PHASE I
DOLS 8.5 MILLION LOAN.

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ACTION AID-05

INFO OCT-01 EUR-12 ISO-00 SAM-01 SSO-00 IGA-01 EB-07 SP-02

CIAE-00 INR-07 NSAE-00 OMB-01 TRSE-00 H-01 HUD-01

INRE-00 OES-03 L-02 AF-06 /050 W

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 1696

C O N F I D E N T I A L SECTION 2 OF 2 LISBON 790

(3) TAX TECHNICAL ASSISTANCE: US DOLS 180,000 TO FINANCE
THE COSTS OF ASSISTANCE FROM THE U.S. INTERNAL REVENUE
SERVICE TO THE MINISTRY OF FINANCE (COST ESTIMATED BY IRS
REPRESENTATIVE MAGINNIS).

(4) AZORES LIVESTOCK TECHNICAL ASSISTANCE: DOLS 120,000 TO FINANCE THE FIRST YEAR OF U.S. CONTRACT COSTS OF A THREE-YEAR COOPERATIVE PROJECT BETWEEN THE UNIVERSITY OF RHODE ISLAND AND THE PORTO DELGADO JUNTA GERAL (ESTACAO AGRARIA) WHICH WAS APPROVED IN PRINCIPAL BY THE JUNTA GERAL ON OCTOBER 1, 1974. (SEE EMBASSY'S A-124, NOVEMBER 12, 1974.) THIS ACTIVITY MAY BEST BE IMPLEMENTED THROUGH DIRECT GRANT TO THE UNIVERSITY OF RHODE ISLAND.

B. LOANS DOLS 10.5 MILLION

(1) WATER AND SEWAGE: US DOLS 10 MILLION
FINANCIAL ASSISTANCE TO THE MINISTRY OF PUBLIC WORKS PROGRAM TO SUPPORT CONSTRUCTION OF SANITARY WATER AND SEWAGE SYSTEMS IN URBAN AND MUNICIPAL CENTERS THROUGHOUT PORTUGAL. DISCUSSIONS HAVE NOT YET BEEN HELD WITH MINISTRY OF PUBLIC WORKS OFFICIALS ON THIS PROJECT, ALTHOUGH THE MINISTER OF FINANCE HAS APPROVED OUR EXPLORATION OF THE TOPIC.

THE GOP HAS AN EXISTING PROGRAM OF SUBSIDIES TO MUNICIPALITIES RANGING FROM 40 PERCENT TO 75 PERCENT FOR THE CONSTRUCTION OF WATER AND SEWAGE SYSTEMS. THE PROGRAM IS CONFIDENTIAL

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REPORTEDLY SHORT OF FUNDS. A PROJECT OF THIS NATURE WOULD BE AN IMPORTANT AND NECESSARY ADJUNCT TO ANY AID HOUSING PROJECTS AND TO THE HEALTH AND RURAL DEVELOPMENT ACTIVITIES WHICH MIGHT BE FINANCED UNDER THE DOLS 8.5 MILLION MULTI-SECTOR LOAN.

WE WOULD APPRECIATE AID/W'S DETERMINING AVAILABILITY GLENN (ED) WAGNER, FORMERLY SANITARY ENGINEER, USAID/BRAZIL, FOR POSSIBLE TDY MARCH-APRIL TO FURTHER DEVELOP THIS PROJECT IF OUR DISCUSSIONS WITH MINISTRY OF PUBLIC WORKS OFFICIALS THIS WEEK ARE ENCOURAGING. USAID/BRAZIL LOANS THIS AREA COULD SERVE AS BACKGROUND FOR AID/W IN PREPARING INTERIM PROJECT DESCRIPTION. REQUEST COPIES BRAZIL CAP'S AND LOAN AGREEMENTS BOTH WATER AND SEWAGE LOANS BE SENT ECONOMIC COUNSELOR LISBON.

(2) FEASIBILITY STUDIES: DOLS 0.5 MILLION
DURING DISCUSSION OF THE DOLS MILLION FEASIBILITY STUDIES LOAN WITH GOP OFFICIALS, AID REPRESENTATIVE INDICATED THAT THE LOAN COULD BE INCREASED IF DEMANDS WARRANTED. THEREFORE, DOLS 500 THOUSAND SHOULD BE HELD IN RESERVE FOR THIS PURPOSE.
END UNCLASSIFIED

BEGIN CONFIDENTIAL

I HAVE RAISED DIVISION OF FUNDS BETWEEN PORTUGAL AND COLONIES WITH PRESIDENT, PRIME MINISTER, FOREIGN MINISTER AND MINISTER VITOR ALVES, POINTING TO EXPRESSED CONGRESSIONAL INTENT THAT FUNDS BE USED FOR BOTH PORTUGAL AND TERRITORIES.

NONE HAS GIVEN ME A SPECIFIC RESPONSE. WILL CONTINUE TO
PRESS, BUT MY SENSE IS THAT THEY ARE UNENTHUSIASTIC ABOUT
SENDING ANY OF THIS APPROPRIATION TO AFRICA. ALVES MENTIONED
THAT AFRICA MIGHT BETTER BE A SEPARATE US AID PROJECT. VASCO
GONCALVES SEEMED TO LEAN TOWARD THIS VIEW WHEN I TALKED WITH
HIM. SOARES SAID MONEY WAS NEEDED HERE. PRESIDENT CONFINED
HIMSELF TO TELLING HOW MUCH PORTUGAL HAD ALREADY SPENT ON
AFRICAN TERRITORIES. END CONFIDENTIAL
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